

Message Text

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ACTION XMB-04

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ROME FOR RCAA

E.O. 22652: NA/
TAGS: EAIR, BEXP, EG
SUBJ: FINANCING FOR EGYPTAIR AIRCRAFT PURCHASE

REF: CAIRO 17271

1. IN DISCUSSION AUGUST 1 WITH VISITING REGIONAL CIVIL
AIR ATTACHE AND EMBOFF, HEAD OF CAIRO OFFICE OF CITIBANK
SAID THAT BANK HAS OFFERED TO ARRANGE FINANCING FOR
EGYPTAIR ACQUISITION OF WIDE-BODIED AIRCRAFT UP TO AMOUNT
OF \$175 MILLION. CITIBANK OFFICIAL GAVE FOLLOWING INFOR-
MATION ON PROPOSED ARRANGEMENT: OFFER WAS MADE ON CONDI-
TION THAT EX-IM BANK PARTICIPATE (REQUIRED PERCENTAGE OF
EX-IM PARTICIPATION NOT SPECIFIED) IN FINANCING PACKAGE.
CITIBANK UNDERTOOK TO CONTRIBUTE APPROXIMATELY \$25 MILLION
OF THE \$175 MILLION TOTAL AND TO RAISE REMAINDER FROM
VARIOUS SOURCES. RATE PROPOSED WAS 1 AND 3/8 PER CENT OVER
LIBOR, DROPPING SLIGHTLY AFTER REPAYMENT OF PRINCIPAL
BEGINS. CREDITORS WOULD HAVE CHATTEL MORTGAGE ON AIR-
CRAFT, A CONDITION RECENTLY MADE POSSIBLE UNDER EGYPTIAN
LAW. CENTRAL BANK OF EGYPT WOULD PROVIDE GUARANTEE OF RE-
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PAYMENT, BUT NO OUTSIDE GUARANTOR WOULD BE INVOLVED. LOAN
TERM WOULD EXTEND THROUGH 1984. OFFER ORIGINALLY EXPIRED
AUGUST 1, BUT CITIBANK PLANS EXTEND IT.

2. CITIBANK OFFICER NOTED THAT HIS INSTITUTION HAS BEEN
DEALING WITH EGYPTAIR SINCE EARLY 1970'S WHEN BANK
PARTICIPATED WITH KIDDER, PEABODY IN FINANCING PURCHASE

OF LAST FOUR BOEING 707-366C AIRCRAFT. SINCE THAT TIME, BANKER SAID, QUANTITY AND QUALITY OF AIRLINE'S FINANCIAL REPORTING, AND, MORE IMPORTANT, STRENGTH OF COMPANY AS ACCURATELY (IN HIS VIEW) REFLECTED IN FIRM'S FINANCIAL STATEMENTS, HAS IMPROVED MARKEDLY. EGYPTAIR, BANKER SAID, IS ONE OF FEW LOCAL FIRMS FROM WHICH CITIBANK ACTIVELY SOLICITS LOAN BUSINESS.

3. COMMENT: CITIBANK WILLINGNESS TO COMMIT PORTION OF ITS OWN FUNDS FOR AIRCRAFT PURCHASE, AND TO UNDERTAKE TO RAISE ADDITIONAL CAPITAL REQUIRED, DEMONSTRATES, IN OUR OPINION, A CONFIDENCE IN CREDITWORTHINESS OF AIRLINE THAT MERITS CAREFUL CONSIDERATION BY EX-IM IN REACHING CONCLUSION ON PRELIMINARY COMMITMENT. WE NOTE THAT EVEN WITH EX-IM PARTICIPATION IN A LOAN FOR PURCHASE OF AMERICAN AIRCRAFT, EUROPEAN FINANCING PACKAGE IS LIKELY TO BE MORE ATTRACTIVE THAN THAT AVAILABLE TO U.S. MANUFACTURERS. ONE U.S. FIRM REP, FOR EXAMPLE, TOLD RCAA HE HAD HEARD FROM EGYPTAIR OFFICIAL THAT AIRBUS INDUSTRIE WOULD BE OFFERING SEVEN-YEAR FINANCING AT 7.5 PER CENT, A RATE BELOW CURRENT LIBOR LEVEL. EILTS

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